

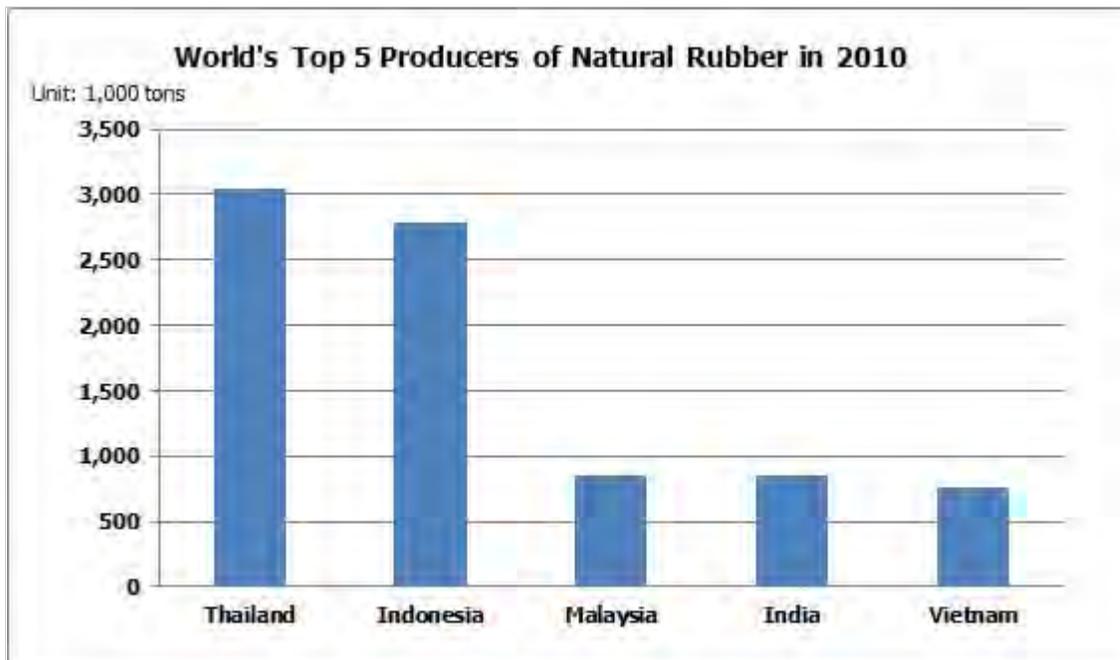
Thailand: World's Top Supplier of Natural Rubber

July 2010, updated July 2012

Rubber is an indispensable resource. It is required in the manufacture of many industrial and consumer products, from hoses and vehicle tires to belts, condoms and gloves. Since its introduction in Thailand during the early 1900s, the country has grown to become the world's largest producer and exporter of natural rubber. The first experimental planting area was located in Trang Province at the southern part of Thailand. By 2011, more than 2.72 million hectares were being cultivated throughout the country.

In addition to being the leading exporter and processor of high-quality rubber, Thailand is also a top R&D center for the material. The goal is for the Thai rubber industry to develop sophisticated technology and generate added value, enhancing its competitiveness.

World's Top 5 Producers of Natural Rubber in 2010



Source: Office of Agricultural Economics

The southern part of Thailand has a monsoon climate, which is highly conducive to rubber tree cultivation. This helps Thai rubber farmers achieve high yields – roughly 1.76 tons of rubber per hectare – and has allowed Thailand to lead the world in natural rubber production since 1991. In 2010 alone, nearly 3.1 million tons of natural rubber was produced in the country. The already sizeable production yield is projected to increase at least 2% per annum.

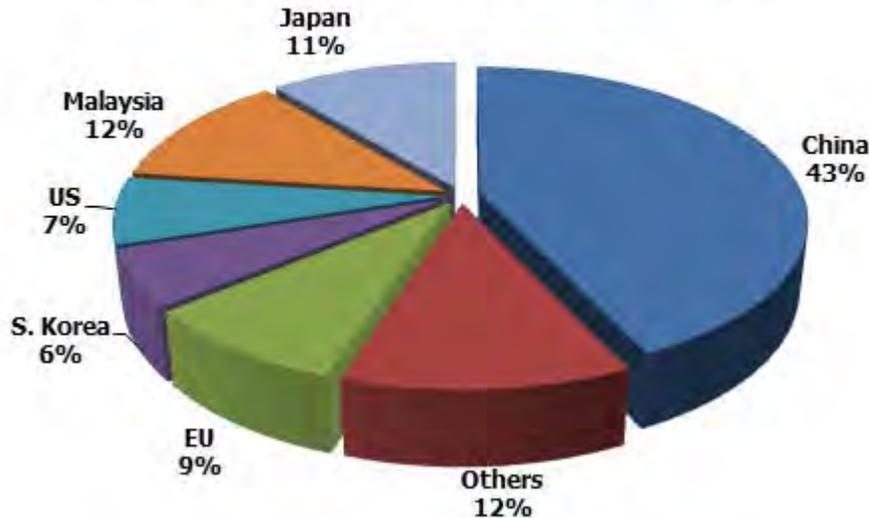
Small landholders, 90% of which are located in southern Thailand, dominate the rubber plantation landscape, holding 95% of the planting area. However, the rubber sector itself is controlled by large processing plants that purchase the material via local dealers.

Lively Export Sector

Most of Thailand's natural rubber production is for export. More than 2.8 million tons or 397 billion baht (about US\$13 billion) worth of natural rubber was exported in 2011. The top five destinations for Thailand's rubber products in terms of export value that year were China, Malaysia, Japan, the European Union and the United States.

Thailand's Natural Rubber Export Markets 2011

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Source: Rubber Research Institute of Thailand

Thailand: Strategic Location in High-Demand Region

The International Rubber Study Group has forecast 5.5% growth to 27.2 million tons for global rubber consumption in 2012. Growth is being fueled largely by rising demand in the Asia-Pacific region. Thailand is optimally located to supply the Asia-Pacific's natural rubber requirement. The proximity of the country's production sites to regional markets allows for the just-in-time delivery essential for complex rubber products.

Value-Added Rubber Products

Ten percent of all rubber produced in Thailand is used in domestic consumption. Of this portion, 65% is processed into value-added goods such as tires and tubes for motorcycles, airplanes, cars and bicycles (46-51%), gloves (13-15%), rubber bands (8-10%) and elastic (8-9%). Rubberwood, a renewable resource that presents an attractive alternative to hardwood timber, is an increasingly important product in the domestic market amid greater environmental awareness.

Thailand's Major Rubber Product Companies

Tire products: Goodyear, Thai-Bridgestone, Michelin-Siam, Dunlop

Other rubber products: Top Glove, Ansell

Thailand's Growing Tire Industry

Thai Bridgestone Co., Ltd. in February 2010 hosted the opening ceremony of its newly established Bridgestone Retread Center.

Goodyear (Thailand) Public Co., Ltd. has invested US\$25 million in its radialization project to raise the plants daily production capacity for airplane tires from 130 to 160 units and for automobile tires from 4,900 to 7,200 units.

Dunlop Tire (Thailand) Co., Ltd. opened its factory with a new production system, boasting high investment efficiency and manufacture of high-quality radial tires at the Amata City Industrial Estate in Rayong Province. Already, expansion of production capacity is in the works.

Opportunities Abound

Strong investment opportunity exists in value-added production of the following:

- Tires and tubes for automobiles
- Piping and tubing for tires
- Gaskets and seals
- Gloves
- Elastic
- Hoses

- Condoms
- Furniture from rubberwood
- Organic rubber products

Supporting Organizations

Thailand's government, trade associations and R&D institutions are actively promoting the growth and competitiveness of the rubber industry. Supporters include:

- Rubber Research Institute of Thailand
- National Science and Technology Development Agency
- National Metal and Materials Research Center (MTEC)
- National Center for Genetic Engineering and Biotechnology (BIOTEC)
- Research and Development Institute of Industrial Production Technology, Kasetsart University
- Prince of Songkla University
- Department of Industrial Promotion
- Thai-German Institute
- Rubber Estate Organization
- Polymer Society (Thailand)

Why Thailand?

- Abundant resources: Thailand is the largest producer of natural rubber.
- Strategic location: The Asia-Pacific has the world's highest rubber consumption growth rate.
- R&D: Thailand spends more in this area than Malaysia and Indonesia.
- Infrastructure: Thailand offers an ample water supply, a low incidence of power outages, and reliable transportation, ensuring smooth manufacture and exporting.
- Free trade agreements: Thailand has already negotiated reduced tariffs on rubber products with China, ASEAN countries, Australia and New Zealand.
- Launch of the single-market ASEAN Economic Community in 2015 with 600 million consumers will open greater trade investment opportunities.
- Workforce: Thailand's labor is more cost-effective than in Malaysia and Indonesia. There is a wealth of highly skilled personnel, and 100,000 science and engineering graduates annually.

Attractive Investment Incentives

The Board of Investment has classified the manufacture of natural rubber and rubberwood products as a priority activity. As such, projects receive an eight-year corporate income tax holiday and are exempt from import duties on machinery.